

The Real Facts

A Critical Analysis of the Bush Administration's Claims on CAFTA Prepared by the Democratic Staff of the Ways and Means Committee

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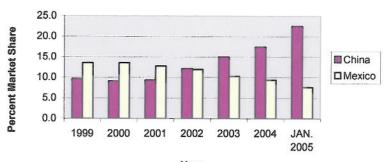
Central America Will Not Save Central America's Apparel Industry – or U.S. Input Suppliers – from China

<u>PROMISE</u>: By adopting NAFTA textile and apparel provisions, the CAFTA will help Central America maintain its U.S. market share in the wake of MFA quota elimination.

<u>REALITY</u>: Like Mexico under NAFTA, Central America will lose its U.S. market share to China – with or without CAFTA.

- The CAFTA is based largely on NAFTA textile and apparel provisions. Under NAFTA, Mexico's market share in the U.S. of textiles and apparel topped 13.5 percent in 1999 more than double its share in 1994.
- But since 2002, when MFA quota elimination (Phase 3) went into effect, U.S. imports of liberalized textile and apparel products from China have surged ahead of like imports from Mexico – increasing by at least 340 percent and upwards to 13,500 percent.
- NAFTA's textile and apparel provisions have not provided sufficient flexibility for producers, resulting in a loss of competitiveness for Mexico. Since 2002, in nearly all liberalized textile and apparel categories shared with China, Mexico's exports to the United States have endured a negative growth rate of over 55 percent.
- In January 2005, when all MFA quotas expired, China's market share of U.S. textile and apparel imports reached 22.5 percent nearly triple that of Mexico. The CAFTA and its ineffective NAFTA-like textile and apparel provisions mean that Central America will face a similar challenge in competing with China in the U.S. market.

Market Share of U.S. Textile & Apparel Imports Source: U.S. Department of Commerce, OTEXA



Year